

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-373

June 22, 2004

BANGOR HYDRO-ELECTRIC COMPANY
Application for Approval of Issuance of
Securities (§902) (\$60 Million Renewal
Of Revolving Credit Agreement)

ORDER APPROVING
ISSUANCE OF
SECURITIES

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

On June 4, 2004, Bangor Hydro-Electric Company (BHE or the Company) filed with the Commission its application for authority to renew its expiring \$60 million unsecured Revolving Credit Agreement for three years, with the option to extend the Agreement for up to two additional years. This Order approves BHE's request.

II. BACKGROUND & ANALYSIS

BHE has had a \$60 million unsecured revolving credit agreement in place since 1995. The Commission has not been required to approve it pursuant to 35-A M.R.S.A. §§ 901 and 902, because the agreement was unsecured and has always had a term of not more than one-year. The Company now wishes to have a greater degree of certainty regarding its short-term borrowing capability and has thus chosen to enter a 3-year agreement with the option of multiple one-year extensions. BHE's Board of Directors has approved a resolution allowing management to commit to two 1-year extensions beyond the original 3-year term without seeking further Board action. Because the proposed agreement extends beyond one-year, our approval is now required for this credit facility.

The Company requires this credit facility for general corporate purposes, including working capital needs and temporary or "bridge" financing for capital expenditures. As of March 31, 2004, the existing credit facility had a zero balance, but the Company expects to draw down \$20 million in July 2004 to make a \$20 million scheduled principal payment on a maturing long-term note. Therefore, BHE's overall debt to total capital ratio will not change as a direct result of this transaction.¹

Fleet National Bank (Fleet), or its Successor, will be the lead lender and agent, and as agent, Fleet may "participate out" shares of borrowed amounts to other lenders

¹ As of March 31, 2004, BHE's unaudited financial statements indicated that the Company's total debt (including current maturities and short-term debt) to total capital ratio was roughly 46% including goodwill or roughly 59% excluding goodwill.

acceptable to Fleet and the Company. At this time, BankNorth N.A. and Bangor Savings Bank have been selected as "participants" at maximum levels of \$8 million and \$5 million, respectively.

BHE will have the choice of two variable rate pricing options, including: (1) the Base or "Prime" Rate (4.00% today) plus a margin of up to 0.25%; or (2) a rate indexed to the London Inter-Bank Offering Rate (LIBOR) plus a margin, based on certain financial measures, ranging from 0.60% to 1.25%. Pricing will be based upon BHE's financial condition as measured by both its "Consolidated Total Debt" and "Fixed Charge (or "Interest") Coverage" ratios with four possible pricing tiers. Presently, BHE qualifies for "Level 2" pricing, which is either Prime with a zero margin (4.00%) or LIBOR plus a 0.75% margin (2.0025% per June 15, 2004 1-month LIBOR). Using the maximum margin of 1.25% with the current 1-month LIBOR rate, the maximum current rate under the LIBOR-based formula is 2.50%. This pricing is consistent with that of the existing revolving credit agreement, with the added benefit that the criteria for more favorable "Level 1" pricing (Prime + 0% or LIBOR + 0.60%) are more attainable under the proposed agreement.

In our experience, it is customary for revolving credit agreements of this nature to be priced at variable interest rates. Such agreements often require the borrower to pledge assets such as accounts receivable as collateral, however in this instance the Banks are not requiring any assets as collateral.

Having reviewed the application of the Company, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the issuance of the bonds are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to §902(4), the Commission does not imply approval of the Company's capital needs or capitalization ratio for ratemaking purposes, nor does this order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

ORDER

1. That Bangor Hydro-Electric Company is hereby authorized to enter into a \$60 million Unsecured Revolving Credit Agreement with Fleet National Bank (or its Successor) as Administrative Agent for a term of three years with the option of two (2) 1-year extensions for general corporate purposes at a variable interest rate as described in the body of this Order.

2. That the Company report to this Commission the exercise of any option to extend the term of this Agreement beyond 3-years along with any amendments to the Agreement. A current attested balance sheet shall be included as part of any such report.

3. That the Company report to this Commission, in writing, its actions pursuant to this order within ninety (90) days of the date of the closing of this transaction.

4. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 22nd day of June, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.